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Gender differences of wage trends in the Baltic States

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Abstract

The authors of the article analyzed gender wage differentiation trends in the three Baltic States: Lithuania, Latvia and Estonia. After the research it was clearly stated that such problem as gender wage gap exists not only in the Baltics, but also in other European Union countries. During the analysis of scientific literature, legislation and statistical data, gender wage differentiation problem was evaluated as one of the most important in the countries' economy and social life. This confirms that all three Baltic States gender wage differentiation is conditioned by the general global environment factors and in the all countries males earn more than females. Moreover, the research distinguished the necessity for a deeper analysis including the larger range of external and internal factors in comparison to the factors analyzed in this article.

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1. Introduction

Nowadays global business environment causes not only business transnationalization, but also covers macro-economic, political, legal and social processes. Qualitative changes are taking place in society's life style, touching upon gender status in the family and the labor market. These processes are complicated because of the long time traditions and inflexible provisions, which lead to the problems in various areas of life. Therefore, in recent decades, reduction of discrimination on age and gender basis, as well as equal rights of minorities in the business has become a critical issue. Especially it strongly affects equal opportunities of females and males in the labor market, emphasizing gender wage differentiation (Žiogelytė, 2012; Cohen & Huffman, 2007). From the perspective of global

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business positions, the solution of this problem becomes one of the key issues when it comes to the principles of social responsibility based on enterprise development and sustainable economic growth.

Looking from the perspective of research positions, wage and creation of different wage systems in time has become top subject of the interdisciplinary research, analyzed from the economic, legal, managerial and psychological positions. Wage is very wide treated as an economical category but in general it is identified as labor value. Speaking in monetary terms it is the cost of labor ensuring the restoration of labor (Žiogelytė, 2010; Tamašauskienė, Šileika & Mačiulytė, 2008; Rudytė, Beržinskienė & Prichotskytė, 2008). In legal terms, wage is defined as reward of performed job functions stipulated in labor contract (Žiogelytė, 2010; Rudytė, Beržinskienė & Prichotskytė, 2008). The wage as one of the main self motivator for the individual performance is being analyzed in terms of management and psychology (Balvočiūtė & Skunčikienė, 2008).

Considering wage differentiation, the researchers focus on it's determinations (Žiogelytė, 2010; Rudytė, Beržinskienė & Prichotskytė, 2008; Simon & Kaestner, 2004). However, it should be stressed that wage differentiation factors, influencing gender researches aspects, receive less attention (Žiogelytė, 2012; Koeniger, Nunziata & Leonardi, 2007). In the scientific debates on gender wage differences there are more likely to focus on general economic and legal equality differences between genders in the labor market. In terms of global wage management, crucial attention goes to the strict European Union legislation mechanism for males and females equal opportunities in the labor market. However, the practice shows that constructive legislation alone is not sufficient, because there are lots of factors in the organizations affecting steady gender wage differentiation in the labor market. The internal factors of organizations' wage differentiation are generally associated with quantitative and qualitative analysis of the work, the exact employment and employee's value as well as internal ability to pay the appropriate amount of wage. A variety of external factors is much bigger. Koeniger at al. (2007) distinguishes external factors such as strict employment policy, benefits from unemployment insurance, technological development and the minimum wage. Žiogelytė (2012) states, that labor market situation in the country, region and in the relevant economic activity is one of the most important external environment or market factors that highly influence wage setting. The other authors explaining gender wage differentials, identify different gender distribution of employees in various economic activities, diverse gender's employment opportunities, part-time employee count (Asplund & Napari, 2011; Alaez-Aller, Longas-Garcia & Ullibarri-Arce, 2011) and stereotypes formed over a long period of time that prevent females' integration into the labor market (Startienė & Remeikienė, 2008; Peterson, Penner & Hogsnes, 2010). It is important that external factors effect on reducing gender wage differentiation is a long-term process where certain measured results can be only assessed after several years. In this context global wage management practice becomes crucial analyzing gender wage differentiation trends in the global business environment. Such researches results would allow to rely on diverse experience choosing an appropriate gender wage differentiation mitigation measures on both national and organizational level.

The purpose of the article – to disclose gender wage differentiation trends in the Baltic States in the period of time from 2006 up to 2013.

2. Method

The paper is built on the systematic analysis and synthesis of scientific literature, European Union legislative studies and analysis and Eurostat and Statistics Department of the Government of the Republic of Lithuania data analysis. Systematic analysis and synthesis of scientific literature was used to determine the theoretical wage inequalities and to find joint dimensions of Baltic States as a single global business environment. European Union legislative studies and analysis defined gender equality on the labor market aspects, enabling equal gender wage. Eurostat and Statistics Department of the Government of the Republic of Lithuania data analysis disclosed gender wage differences trends in the Baltics.

3. Results

Based on the systematic scientific literature analysis, it was identified the key factors that determine wage differentiation in the Baltic States as a single global business environment. The choice to analyze gender wage differentiations trends in the Baltic States is based on the similar countries characteristics that can be attributed to

the external factors influencing the wage. First of all, the history and the same geopolitical situation of the three Baltic States are similar in many aspects. Located in the North of Europe around the Baltic Sea area Estonia, Latvia and Lithuania are perceived as individual region, Nordic unique, different to the countries located in the Central Europe. In the geopolitical point of view, the three Baltic States – Estonia, Latvia and Lithuania – are an integral part of Western Europe. Secondly, the economic situation in the Baltic States is similar. According to the Eurostat data of 1 July, 2013, Estonia, Latvia and Lithuania go to the same zone in accordance with the minimum monthly salary – up to 500 EUR. Third, the current European Union legislation and its harmonization with national legislation ensure the equal opportunities for males and females. European Social Charter emphasizes each employee's right to a fair wage. The European Community Treaty obliges country members to ensure that both gender employees should be paid equal wage for the work of equal value. In the context of this major affinity, the Baltic States are treated as single global economic area, where analysis of the existing differentiation in wage between males and females may allow to explaining the effective factors leading to the salvation of this problem.

The analysis of the 2006-2012 Eurostat data (Table 1) shows a clear gender wage gap in the European Union in general, and also in the Baltics.

Table 1. Gender wage differentiation gap in the European Union, Estonia, Latvia, Lithuania, in percents (Eurostat, 2013)

Country/Years	2006	2007	2008	2009	2010	2011	2012
EU (27 countries)	17.7	-	17.3	17.2	16.2	16.2	-
Estonia	29.8	30.9	27.6	26.6	27.7	27.3	30.0
Latvia	15.1	13.6	11.8	13.1	15.5	13.6	13.8
Lithuania	17.1	22.6	21.6	15.3	14.6	11.9	12.6

Statistical analysis of the data leads to two important conclusions. The first conclusion confirms that in the Baltic States gender wage differentiation is conditioned by the general global environment factors – in all countries males earn more compare to females.

However, the difference in the different European Union countries, including the Baltic States, is unequal. On average, females in the European Union earn 16,2% less than males. The analysis of Eurostat data shows the specific differentiation of gender wage in the Baltics. If gender wage gap in Latvia and Lithuania is similar or is below the European Union average, so in Estonia it is significantly higher and above the European Union average. From a dynamic perspective we can see that in the European Union the gap is stable with a tendency to slightly decrease. Meanwhile, in the Baltic States we can see a very different situation. Since 2006, the gap in Latvia was always lower in comparison to the European Union average and remains relatively stable (noticeable variation in different years, but in general we are able to see a small gender's wage gap decline). In 2007 – 2008, the gap in Lithuania was higher compared to the European Union average, but we could observe a significant and steady decline in the trend since 2009. Based on data of Statistics Department of the Government of the Republic of Lithuania, the largest gap between male and female in the analyzed period of 2008 – 2012 was in private sector, where in 2008 the gap reached almost 24 %, but by 2012 gradually decreased. Meanwhile, since 2006 the gap in Estonia, all the time remains stable and well above the average compared to other Baltic States, as well as the European Union.

So, although it was stated that the Baltic States are a single global area with many common features, it leads to the second important conclusion that the external global factors are not the only ones that affect gender wage differentiation. In order to find out all causes which affect the Baltics gender wage differentiation, a deeper analysis is needed. It is necessary to evaluate the influence of the external factors such as a different gender distribution of employees in various economic activities, diverse male and female employment opportunities, demographic and migration processes and etc. No less important are internal factors, related to the employee's age, education and job, length of service, the organization's human resources policy and applied wage system comparison.

4. Conclusions

An analysis of scientific literature, legislation and statistical analysis of the data shows that gender wage differentiation existing up to nowadays is one of the most important economic and social problems for the countries in global economics, including the Baltics. Despite the existing legislation on gender equality, the wage of females

in the Baltic States is still lower compared to males. It was found that the Baltic States as single global area has a lot of common features determining gender wage differentiation trends. However, the research has limitations. It is not sufficient in order to clarify the causes determining gender wage gap differentiation in the Baltics. This requires a deeper analysis of this phenomenon, taking into account a larger range of external and internal factors on the existing gender wage differentiation in the Baltics.

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